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America's Role in the Far Eastern Conflict

BY PAUL B. TAYLOR

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BY PAUL B. TAYLOR

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THE armed conflict which began at the Marco Polo bridge near Peiping on July 7, 1937 sharply raised the issues of American policy toward wars abroad. The Japanese military operations, which rapidly broadened out after the first clash, constituted a serious threat to the "territorial and administrative integrity" of China which seemed likely to undermine Western interests in that region and increase tensions throughout the rest of the world.

The interests of the United States in the Far East differ substantially from those which would be affected by wars in Europe. Its economic "stake" remains small, despite hopeful predictions in the past.¹ In 1936 Japan's share in American foreign trade was 7.7 per cent, while China's was 2.5 per cent. American investments in China are valued at only \$132,000,000, and in Japan at about \$218,000,000.² Of total American long-term investments abroad in 1933, less than one per cent were in China and less than 3 per cent in Japan.³

The United States shares in the privileges which were wrung from China by treaties during the past century. Important among these are the exercise of extraterritorial jurisdiction over nationals in China and the maintenance of small armed forces for their protection.⁴ Chinese tariff duties are regulated by treaty and are to some extent pledged to the service of China's foreign debts. Important

posts in the Maritime Customs Administration are held by foreigners. The International Settlement in Shanghai, where foreign interests largely center, is governed by a Municipal Council elected mainly by foreign taxpayers, enjoys considerable autonomy, and is guarded by special police and foreign troops. In the past, when armed conflicts have occurred, the interested governments have neutralized the Settlement and placed their troops along its borders. Foreign interests in China thus rest on a precarious basis; and while the Chinese undoubtedly consider their continuance far preferable to Japanese domination, the problem of protecting these interests during an armed conflict is peculiarly difficult.

Since 1931 American Secretaries of State have consistently declared that the concern of the United States in maintaining peace in the Far East transcends its legal and economic interests in that region.⁵⁻⁶ Whether due to a feeling of special responsibility for Far Eastern peace, a desire to protect future Sino-American relations,⁷ or apprehension regarding Japanese hegemony in the western Pacific, the American government has displayed far more concern over aggression against China than over interference with American economic privileges in that country.

At the outbreak of the conflict, American opinion showed varying degrees of adherence to three main, divergent lines of policy toward wars abroad:⁸ avoidance of friction with belligerents through use of the Neutrality Act, accompanied by withdrawal of nationals and troops from danger zones; participation in "collective action" to sup-

1. Cf. F. R. Dulles, *Forty Years of American Japanese Relations* (New York, D. Appleton-Century, 1937), Chapter I.

2. Department of Commerce estimate, cited in *Congressional Record*, 75th Congress, 3rd Session, January 5, 1938, p. 64. This does not include \$40,000,000 of missionary property in China and \$10,000,000 to \$15,000,000 in Japan, or over \$25,000,000 of property of Americans "permanently resident" in China. C. F. Remer estimated that in 1931 total foreign investments in China were divided as follows: Great Britain 36.7 per cent; Japan 35.1; U.S.S.R. 8.4; United States 6.1; and France 5.9 per cent. Cf. C. F. Remer, *Foreign Investments in China* (New York, Macmillan, 1933), p. 76.

3. United States, Department of Commerce, Bureau of Foreign and Domestic Commerce, *The Balance of International Payments of the United States in 1933*.

4. Cf. p. 283.

5-6. Cf. H. L. Stimson, *The Far Eastern Crisis* (New York, Harper, 1936), pp. 241 ff; statement of Secretary Hull on August 23, 1937, United States, Department of State, *Press Releases*, August 28, 1937, pp. 166 ff; letter to Vice President Garner on January 8, 1937, *ibid.*, January 15, 1938, pp. 100 ff; T. A. Bisson, "American Policy in the Far East," *Foreign Policy Reports*, February 1, 1937.

7. Cf. Stimson, *The Far Eastern Crisis*, cited, p. 234.

8. Cf. R. L. Buell, "The Neutrality Act of 1937," *Foreign Policy Reports*, October 1, 1937.

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press war; and protection of American rights and interests abroad without resort to collective action. Although the first of these policies seemed to command greatest support from American public opinion,⁹ circumstances made immediate adoption of any one course unlikely. The practical difficulty of withdrawing troops and nationals from China, together with the desire of the United States to discourage aggression, militated against a policy of isolation.¹⁰⁻¹¹ Although Secretary Stimson had cooperated in collective efforts against Japanese invasion of Manchuria in 1932, the breakdown of the League's peace machinery, the growing tension in Europe, and the isolationist temper of American public opinion since that time made effective collective action against Japan virtually impossible in 1937. American anti-imperialist sentiment, which had supported withdrawal from the Philippines, opposed a forceful defense of economic interests in China.

The outbreak and spread of the fighting led the government, after more than a month of cautious postponement, to declare a "middle-of-the-road" policy toward the conflict.¹² This was described as a compromise between complete abandonment of American interests and active intervention to protect them. The policy involved avoiding, if possible, application of the Neutrality Act; traditional defense of American rights and interests in China; and tentative gestures toward international cooperation. Although American policy did not alter substantially during the diplomatic episodes of the first half year, mounting popular indignation made possible an increasingly strong stand against Japan. The President's Chicago speech of October 5 marked this more outspoken attitude and gave impetus to the Brussels Conference, although public opposition to coercive measures made such steps

impossible. Finally, the sinking of the gunboat *Panay* led to sharp American demands which the Japanese government went far to meet.

PRELIMINARY STEPS

Following the opening clash near Peiping, the Administration first exerted diplomatic pressure to prevent a serious war. On July 12 Secretary Hull summoned the Chinese and Japanese Ambassadors and informed them that, in the opinion of the American government, an armed conflict between the two countries would be "a great blow to the cause of peace and world progress."¹³ On July 16 he declared a set of general principles of international conduct which were communicated to other governments with a request for their comments. The statement asserted that:

"This country constantly and consistently advocates maintenance of peace. We advocate national and international self-restraint. We advocate abstinence by all nations from use of force in pursuit of policy and from interference in the internal affairs of other nations. We advocate adjustment of problems in international relations by processes of peaceful negotiation and agreement. We advocate faithful observance of international agreements. Upholding the principle of the sanctity of treaties, we believe in modification of provisions of treaties, when need therefor arises, by orderly processes carried out in a spirit of mutual helpfulness and accommodation. We believe in respect by all nations for the rights of others and performance by all nations of established obligations. We stand for revitalizing and strengthening of international law. We advocate steps toward promotion of economic security and stability the world over. We advocate lowering or removing of excessive barriers in international trade. We seek effective equality of commercial opportunity and we urge upon all nations application of the principle of equality of treatment. We believe in limitation and reduction of armament. Realizing the necessity for maintaining armed forces adequate for national security, we are prepared to reduce or to increase our own armed forces in proportion to reductions or increases made by other countries. We avoid entering into alliances or entangling commitments but we believe in cooperative effort by peaceful and practicable means in support of the principles hereinbefore stated."¹⁴

Sixty states and the Little Entente as a group replied, nearly all approving Mr. Hull's principles. The Japanese government, while concurring in general, stated that its objectives could be attained in the Far East only "by a full recognition and practical consideration of the actual particular cir-

9. This was revealed, for example, in the support for the Neutrality Act and for the Ludlow amendment; also by polls taken by the American Institute of Public Opinion. In a poll released on September 4, 1937, 54 per cent of the voters polled favored withdrawing American troops from China and warning Americans to leave. In a poll released on January 15, 1938, the majority had risen to 70 per cent. In a poll released on October 9, 1937, 69 per cent favored strict neutrality laws rather than Presidential discretion as a means of avoiding war. Cf. *Washington Post*, September 5, 1937; October 10, 1937; January 16, 1938.

10-11. The United States seems committed until 1946 to protect the Philippines against possible Japanese attempts to acquire political control of the Islands. Although such attempts appear unlikely in the immediate future, steady Japanese expansion in the South Pacific makes them increasingly probable at some subsequent time. Hasty American withdrawal from China might have hastened the growth of Japanese influence in the Philippines. Cf. David H. Popper, "Creating a Philippine Commonwealth," *Foreign Policy Reports*, December 15, 1936.

12. *New York Times*, August 18, 24, 1937. For addresses of Secretary Hull on September 19 and 20, cf. Department of State, *Press Releases*, September 25, 1937, pp. 239, 249.

13. *New York Times*, July 13, 1937.

14. Department of State, *Press Releases*, July 17, 1937, pp. 41-42.

cumstances of that region." After this tentative step, Washington made various representations to Japan and China, urging cessation of hostilities.

On August 23, after these attempts had failed, Secretary Hull applied his July 16 principles more emphatically to the Far Eastern crisis. He urged Japan and China to settle their differences in accordance with these principles¹⁵ and announced that Washington had consulted constantly with interested governments for the purpose of bringing about a peaceful adjustment.

THE NEUTRALITY ACT

The shooting of a Japanese naval officer and a seaman near the Hungjao airdrome on August 9 led to hostilities at Shanghai, vastly increasing the scope of the struggle as well as its danger to foreign nationals and property. This forced the President to decide whether or not to issue a proclamation making the Neutrality Act operative.¹⁶ Although that Act had been framed with the prospect of a European war chiefly in mind, its provisions were applicable whenever the President should find that a state of war existed between any foreign countries. Since the criteria for determining the existence of a state of war are inadequate, the Act did not lay down with precision the conditions under which its provisions should become operative.¹⁷

In striking contrast to its attitude during the Italo-Ethiopian war in 1935 and the Spanish civil war in 1937,^{17a} the Administration showed a strong reluctance to apply the Neutrality Act. The standard apparently used in determining the existence of war between Italy and Ethiopia was discarded. The President had formulated this standard on October 5, 1935 when he said: "We are now compelled to recognize the simple and indisputable fact that Ethiopian and Italian forces are engaged in combat, thus creating a state of war within the intent and meaning of the joint resolution."¹⁸ During the Far Eastern conflict, however, the Administration intimated that it would wait for some unmistakable recognition of a state of war before applying the Act. In a radio speech on August 23, Senator Pittman argued that none of the characteristics of a state of war had yet appeared—dec-

laration of war, interference with the free commerce of other nations, or facts "that make it obvious that such conflict is going to be carried to a point where one side conquers." "The declarations of the Italian Government," he said, "make it clear that that government determined to subdue Ethiopia." By contrast, Japan and China maintained diplomatic relations and denied that war existed.¹⁹ On November 17 Congressman McReynolds declared that the President is not compelled to find "on the basis of any specific facts or circumstances" that war exists.²⁰ Apart from these statements, the Administration kept practically silent on the Neutrality Act, only intimating that its policy was on a "twenty-four-hour basis," and answering appeals for invocation²¹ of the law largely by legal arguments. Such measures as it adopted to protect American shipping were taken outside the Act.

The danger of interference with American shipping threatened for some time to force the Administration's hand. On August 25 the Japanese fleet proclaimed a "blockade" against Chinese shipping along the China coast from Shanghai to a point south of Swatow. Foreign vessels were expected.²² On the following day Japanese naval authorities declared that foreign craft might be boarded to ascertain their nationality, and that the government might pre-empt "foreign bottoms carrying a cargo that in time of war would constitute contraband."²³

The American government was not officially notified of the blockade until August 27, and then very indefinitely.²⁴ It seemed possible that the Japanese navy would exercise a large share of belligerent rights and force application of the Neutrality Act. Public attention in the United States had already been directed to the sailing of the *Wichita*, a United States government-owned vessel, carrying 19 airplanes for China. In these circumstances, Secretary Hull announced on August 27

15. *Ibid.*, August 28, 1937, pp. 166-67.

16. Buell, "The Neutrality Act of 1937," cited.

17. Cf. J. B. Moore, *Digest of International Law* (Washington, Government Printing Office, 1906), Vol. VII, pp. 153 ff.

17a. Cf. R. L. Buell, "U. S. Neutrality in the Spanish Conflict," *Foreign Policy Reports*, November 15, 1937.

18. Department of State, *Press Releases*, October 5, 1935, p. 255. Cf. R. L. Buell "The New American Neutrality," *Foreign Policy Reports*, January 15, 1936.

19. *New York Times*, August 24, 1937. Cf. also Secretary Hull's letter of December 4, 1937 to Congressman McReynolds, Department of State, *Press Releases*, December 11, 1937, pp. 415 ff.

20. *Congressional Record*, 75th Congress, 2nd Session, November 17, 1937, p. 151.

21. Twenty-four Congressmen and Senators signed a statement to this effect on August 19, *New York Times*, August 20, 1937.

22. *New York Times*, August 26, 1937. On September 5 it was extended to practically the whole China coast, from Chinwangtao in the north to Pakhoi, near Indo-China. Cf. Department of State, *Press Releases*, September 11, 1937, pp. 223 ff.

23. *New York Times*, August 27, 1937. On September 16 arrangements between the British and Japanese governments were reported, whereby any British merchant vessel stopped by a Japanese warship in the absence of a British warship should obey the order and its registry should be established by wireless. *New York Journal of Commerce*, September 17, 1937.

24. *New York Times*, August 28, 1937.

that the United States had formally notified Japan and China that it reserved all rights on its own behalf and on behalf of its nationals for damages to American lives or property growing out of the operations of their military forces.²⁵ The American government has in the past maintained that the enforcement of a "pacific blockade" by one foreign power against another confers no right upon the blockading power to interfere with American ships.²⁶

On September 10 Secretary Hull warned of dangers to shipping along the Chinese coast, resulting from the measures announced by Japan and China.²⁷ Meanwhile, officials were concerned over the *Wichita*. They believed that, by allowing a government-owned vessel to carry airplanes to China through the Japanese naval patrol, Washington might provoke an "incident" or an outright declaration of war by Japan against China. On September 14, the President announced that:

"Merchant vessels owned by the Government of the United States will not hereafter, until further notice, be permitted to transport to China or Japan any of the arms, ammunition, or implements of war which were listed in the President's proclamation of May 1, 1937.

"Any other merchant vessels, flying the American flag, which attempt to transport any of the listed articles to China or Japan will, until further notice, do so at their own risk.

"The question of applying the Neutrality Act remains *in statu quo*, the Government policy remaining on a 24-hour basis."²⁸

The government, as owner of the *Wichita*, unloaded the planes at San Pedro, and the steamer proceeded to Manila and Hongkong with another cargo. After long delay the planes were sent to China by way of Europe, on a foreign ship from an Atlantic port. On September 17 the Chinese Ambassador protested the removal of the airplanes.

The essential purpose of the President's step was to prevent the danger of an incident over interference with a government-owned ship by Japanese vessels. The tonnage directly affected was small. The only government-owned vessels which call at Chinese and Japanese ports are four 9000-ton steamers operated by the Pioneer Line, which altogether make about nine trips a year from New York through

the Panama Canal. American privately owned tonnage on this route carries only a small proportion of American exports to China and Japan.²⁹⁻³⁰ The President's announcement that these vessels would transport arms to China or Japan only at their own risk did, however, have a considerable effect in discouraging shipment of arms to China. By revealing governmental concern, it caused shipping companies to fear Japanese action against non-Chinese vessels in this trade.³¹ This fear, combined with other factors, made it difficult for the Chinese government to secure tonnage for the shipment of arms across the Pacific. Most important of all, probably, was the heavy fighting around Shanghai, which prevented ships from calling at that port after August 13.³²

The Administration was seriously criticized for its failure to use the Neutrality Act.³³ Congressman McReynolds, in his speech on November 17, defended its course as best adapted to safeguard American interests. Assuming that a neutrality proclamation might lead to a declaration of war, he said Japan might interfere with neutral shipping and demand the withdrawal of American armed forces from China, leaving Americans there without protection. He also urged the need of using "all peaceable means" to defend American interests. Use of the Act would not only injure China's imports more than those of Japan, but would also hamper action at the Brussels Conference.

TRADE AND THE NEUTRALITY ACT

What effects application of the Neutrality Act would have had on the conflict cannot, of course, be definitely determined.³⁴ It would surely have affected the actions not only of Japan and China, but of other interested nations as well. Apart from such repercussions, it seems that the effect of the Act on American interests in the conflict would have been slight. No interference with American ships or loss of American life took place on the high seas. No war trade boom developed which might dislocate American economy and commit the United States to the cause of one side or the other.

By July, Japan had accumulated sufficient supplies so that it did not need to expand imports for

25. *Ibid.*

26. C. C. Hyde, *International Law, Chiefly as Applied and Interpreted by the United States* (Boston, Little, Brown, 1922), Vol. II, pp. 180 ff. The Chinese government announced early in September its intention to take counter measures, requested neutral vessels to refrain from night sailing near the China coast, to avoid proximity to Japanese naval vessels and to have national colors painted on top decks.

27. Department of State, *Press Releases*, September 11, 1937, pp. 223-24.

28. *Ibid.*, September 18, 1937, p. 227.

29-30. Cf. p. 283.

31. On September 16 it was said at Tokyo that "for the present" no foreign ship passing through the blockaded area with any kind of cargo destined for China would be halted, but the provisional nature of this policy was stressed. Cf. *New York Times*, September 17, 1937.

32. Department of Commerce, *Foreign Shipping News*, September 3, 1937.

33. *Congressional Record*, 75th Congress, 2nd Session, November 17, 1937, pp. 151-53.

34. Cf. Buell, "The Neutrality Act of 1937," cited.

its conflict with China.³⁵ Its chief concern seemed to be the maintenance of existing commerce in the face of its difficult exchange problem.³⁶ After imports had reached a peak in July and August, exchange controls, which had been in force since January, brought about a sharp decline in September. In October the government decreed still more drastic restrictions.³⁷

There was no prospect that this financial stress might be eased by foreign credits. Even before the fighting began, Japan was having difficulty in obtaining ordinary commercial credits abroad, to say nothing of long-term loans. After hostilities opened, a tendency was noted to restrict whatever credit business had been done in the past on account of the tightened foreign exchange restrictions.³⁸ Since March the Japanese government had revalued its gold reserves and sold large quantities of gold in the United States to meet its various obligations. The exchange problem was apparently the only serious hindrance to Japanese trade during the conflict. Exports to the United States suffered little decline: Imports fell somewhat—in July, they were valued at \$26,509,000; in August, \$24,644,000; in September, \$16,769,000; in October, \$20,129,000; in November, \$18,133,000.³⁹ Japan requires raw materials of war rather than finished arms from the United States. During the period of August to October 1937, the value of arms licensed for export to Japan was less than 2 per cent of the value of total American exports to that country.

Imports of raw cotton, Japan's leading import from the United States,⁴⁰ were drastically reduced because of the exchange problem, the existence of large stocks, and the prospect of a reduced market for its cotton manufactures.⁴¹

Imports of crude oil were increased during the conflict. Large gains in imports of iron and steel in July and August were followed by sharp decreases in the next two months. The decline in the heavy imports of scrap iron began in July and August, and became precipitous in September.⁴² Imports of refined copper, lead and wood pulp

were maintained or increased during the conflict, while other leading import commodities—automobiles, lumber products, leaf tobacco and milk—declined after July or August.

China's foreign trade was in a flourishing condition when the conflict began.⁴³ In August, however, the fighting paralyzed Shanghai, China's principal port and industrial center, while the blockade of the Chinese coast and the bombing of its limited internal communications created severe hazards for foreign trade. Exports dropped almost half and imports over 55 per cent as against July.⁴⁴ During September imports slumped further—from 55.5 million dollars (Chinese) to 33.8 million. Exports increased from 45.4 to 67.5 million dollars, but declined in the following month. October figures showed a slight recovery in imports.⁴⁵

During the conflict, the United States maintained its leading position in China's import and export trade. American exports in July were valued at \$5,628,000; in August, \$6,081,000; in September, \$1,559,000; in October, \$1,388,000; in November, \$2,895,000.⁴⁶ A sharp increase in exports to Hongkong, however, made up in part for this decline.⁴⁷ From July to November American imports from China declined from \$10,858,000 to \$6,026,000; the latter figure, however, was considerably higher than for November 1936.

China's lack of arms factories and adequate supplies of arms, ammunition, and implements of war made imports of those articles a vital necessity. Figures published by the National Munitions Control Board show the value of the goods licensed for export in July as \$309,870; in August, \$1,207,252; in September, \$2,809,099; in October, \$690,340; in November, \$1,702,370; in December, \$290,632. Actual exports were probably somewhat less. In the last half of 1937, exports of aeronautical products to China were valued at \$1,545,897 and those to Japan at \$1,651,063.⁴⁸ The small size of aircraft exports to China seems mainly due to the time required to fill orders as well as to shipping difficulties.

35. Cf. *Far Eastern Survey*, October 20, 1937. In 1936 the United States took 22.1 per cent of Japan's exports and supplied 31.2 per cent of its imports. Cf. Tokyo, Department of Finance, *Monthly Returns of the Foreign Trade of Japan*, December 1936.

36. Cf. J. C. deWilde, "Can Japan be Quarantined?" *Foreign Policy Reports*, December 1, 1937.

37. Cf. *The Oriental Economist*, October 1937.

38. Cf. *New York Times*, October 17, 1937.

39. Preliminary figures issued by the Department of Commerce, Bureau of Foreign and Domestic Commerce.

40. During 1936 raw cotton accounted for over 43 per cent of the value of all American exports to Japan, while Japan took 25 per cent of the total American raw cotton exports.

41. Cf. Department of Agriculture, *Foreign Crops and Markets*, October 30, 1937.

42. Iron and steel imports from the United States (except scrap) for 10 months of 1937 were 817,339 gross tons, against 41,908 tons in the same period of 1936. In 1937 this figure amounted to 28.5 per cent of all American exports of these products. Cf. Department of Commerce, *Iron and Steel Fortnightly*, November 29, 1937, December 15, 1937.

43. *Commerce Reports*, October 9, 1937, p. 805.

44. *Far Eastern Survey*, December 1, 1937, p. 282.

45. *Commerce Reports*, December 11, 1937, pp. 983-84.

46. Preliminary figures issued by the Department of Commerce, Bureau of Foreign and Domestic Commerce.

47. From the normal figure of \$728,000 in July, they rose to \$1,552,000 in August; \$1,724,000 in September; \$4,022,000 in October; and \$3,958,000 in November.

48. Cf. United States, Department of Commerce, *Aeronautical World News*.

Although imports of the main petroleum products and copper held up during the conflict, those of other important articles—automobiles, cotton, aniline dyes, lumber and paper—dwindled to almost nothing after August. Leaf tobacco, the most important United States export to China, suffered a considerable decline in August and September, but recovered in October.

Relatively little of this trade with Japan and China would have been covered by the Neutrality Act. Prohibition of arms exports would have hurt China somewhat—although the amounts which actually reached it during the conflict must have been small—but Japan would scarcely have felt any repercussions. Since neither China nor Japan seems to have received credits in any appreciable amounts, the credit embargo provisions would have had little effect. Prohibition of the carriage of the chief export products from the United States on American ships would, in consequence of tonnage scarcity, probably have reduced our exports somewhat. The effect of this measure on China would probably have been considerable; American ships carried nearly 39 per cent of our exports to China and nearly 44 per cent of our imports from that country in 1935-36.⁴⁹ Japan would have been much less seriously affected, since in the same year American ships carried less than 8 per cent of its imports from the United States and less than 12 per cent of its exports to this country.⁵⁰ To have prevented American citizens from traveling on belligerent ships would have been less than a pin-prick to Japan.⁵¹ In mentioning possible effects on Japan and China of application of the Act, it should be emphasized that, so far as the theory of the Act is concerned, such considerations are irrelevant.

PROTECTION OF AMERICAN RIGHTS AND INTERESTS

President Coolidge stated one common conception of American policy toward the protection of citizens abroad⁵² when he said that "the person and property of a citizen are a part of the general domain of the nation, even when abroad." In sharp contrast to this concept, the "isolationist"

view calls for evacuation of citizens from war zones and withdrawal of protection from those who remain. In the Far Eastern conflict, the unique position of foreigners and the presence of troops in China created a special problem of protection. The policy followed during the conflict was one of firm but cautious insistence on American rights and interests. In making representations, however, the government constantly emphasized that the only security for American interests lay in stopping the hostilities. Most controversies of this nature arose over Japanese measures.

The beginning of serious fighting around Shanghai made the problem of protection acute.⁵³ On August 17 Secretary Hull stated the policy of the government.⁵⁴ This was described as a "middle-of-the-road" policy between the extremes of abandoning American interests and supporting them by use of large military and naval forces.⁵⁵

Diplomatic and consular officials urged and helped Americans to leave the danger zones as quickly as possible. For this purpose Congress was asked to appropriate \$500,000. At the same time, the government sent one additional regiment of 1200 marines to China to give more adequate protection to those remaining or in the process of departing. It emphasized its wish to withdraw these armed forces as China's strength and unity increased, but stated that it would not do so under the circumstances.⁵⁶ Moreover, it sent notes to the Japanese and Chinese governments, serving notice that it reserved all rights on its own behalf and on behalf of its nationals for damages to American lives or property growing out of the operations of their military forces. The contents of the notes were not disclosed. From later statements it seems possible that the note to Japan challenged the legality of the Japanese military and naval operations as a whole. On August 31 the Japanese government delivered a reply which Secretary Hull termed "adverse."⁵⁷

53. At the beginning of the fighting, 4326 out of a total of 10,122 Americans in China were in Shanghai. Cf. Department of State, *Press Releases*, October 2, 1937, p. 267. In 1930 about 65 per cent of American business investments in China were located in Shanghai. Remer, *Foreign Investments in China*, cited, p. 282.

54. *New York Times*, August 18, 1937.

55. American military forces in China in July numbered around 2500 men, stationed at Shanghai, Peiping and Tientsin for protection purposes. Part of the small Asiatic fleet based on Manila cruises in Chinese waters, and a squadron of small gunboats patrols the Yangtze.

56. Cf. letter of Secretary Hull to Senator Smathers, Department of State, *Press Releases*, December 25, 1937, p. 495.

57. Cf. *New York Times*, August 28, 1937; *New York Herald Tribune*, October 1, 1937. The Japanese answer of September 29 to the American note of protest against the bombing of Nanking referred to a Japanese note of August 31, which was later said to have been an answer to an American note of August 17.

49. Cf. United States Maritime Commission, Division of Research, *Imports and Exports of Commodities by United States Coastal Districts and Foreign Trade Regions*, Report No. 275 (Washington, 1937).

50. *Ibid.* In 1935 Japanese ships carried 70 per cent of Japan's exports (by value) and almost 64 per cent of its imports. Cf. Tokyo, Department of Finance, *Annual Return of Foreign Trade of Japan, 1935*, Part III, table 415.

51. Receipts of Japanese shipping lines from American citizens leaving this country during the fiscal year 1936-1937 are estimated at about \$3,500,000.

52. "Diplomatic Protection of American Investments Abroad," Foreign Policy Association, *Information Service*, April 13, 1927.

Congress made the appropriation on August 25 with little general debate on the Administration's policy. Members of the "neutrality group" called for the withdrawal of all armed forces from China, while others declared their support of the Administration's immediate action.

During the following weeks, the dangers from bombs and shells in the International Settlement were considerable. Efforts were made by foreign representatives to keep the fighting far enough away to avoid this danger. On August 20 a shell struck the American flagship *Augusta*, which was anchored in the Whangpoo river, and killed a sailor. A Chinese airman ten days later bombed the Dollar liner *President Hoover*, lying out some distance from harbor. Without waiting for American protests, the Chinese government accepted full responsibility and promised financial reparation. The accident led Admiral Yarnell to warn American merchant vessels not to make further calls at Shanghai.

Despite these dangers, evacuation proceeded slowly. On September 3 "new and urgent" warnings were given to Americans to leave Shanghai on waiting naval vessels.⁵⁸ President Roosevelt sharpened the warning on September 5, when he said, in a press conference, that Americans who remained in China obviously did so at their own risk. This statement aroused a storm of protest by Americans in China, but succeeded in hastening withdrawals. The State Department promptly explained that there had been no change of policy, that troops and ships would not be recalled, and that the government understood that some persons were not in a position to leave at once. With these reassurances, efforts of American officials in China were bent toward speedy evacuation of citizens. While 3112 Americans had been evacuated by September 25, 7010 remained in various parts of China, with as many as 5802 still there on October 29, 1937.⁵⁹

On September 18 the Japanese naval commander at Shanghai announced that Nanking would be bombed on September 21, and advised foreign officials and residents to move up the river for safety. The United States government made strong representations and similar action was taken by the British and French governments. Ambassador Johnson took to a gunboat near Nanking.

Immediately following the destructive attack on September 23, the United States sent a strong note of protest. It contended that "any general bombing of an extensive area wherein there resides a large

populace engaged in peaceful pursuits, is unwarranted and contrary to principles of law and of humanity," and that when aerial bombing is engaged in, the safety of no persons or property within the area can be insured. It objected especially to the bombing of the capital city, which necessarily endangered the functions of the American Ambassador, and once more reserved its rights.⁶⁰ Two days later, the General Board of the navy gave out a statement of policy made by Admiral Yarnell on September 21 to commanders of all ships in his fleet, that the fleet would not be withdrawn and that it would accept any necessary risks to protect Americans who were still in China.

The Japanese reply to the American protest was delayed until September 29. It declared that the attainment of the Japanese military objectives required the bombing of the strategic facilities of Nanking and that every effort had been and would be made to spare non-combatants.⁶¹ It expressed the hope that the United States government would "cooperate" with the Japanese measures, presumably by moving its diplomatic representatives and other nationals from the city. The Japanese government stood by its note of August 31, which was said to have rejected in principle the American contention that it was liable for certain damages sustained by nationals of third countries.⁶²

The bombing of Nanking and the blunt Japanese note apparently opened a new chapter in American policy. Less than a week afterward came the President's "quarantine" speech at Chicago and the assumption of a more active rôle against Japanese tactics by the United States.

INTERNATIONAL CONSULTATIONS

Throughout the conflict, the American government consulted frequently with Britain and other interested powers. Common action was constantly taken by officials in China who found their respective nationals or interests affected by the same measures. Although Britain showed strong reluctance to take risks for peace in the Far East, its large economic interests led it constantly to urge joint action in defense of Western rights. The American government had a much smaller economic stake to protect and shunned commitments in Europe. Made doubly wary by Sir John Simon's failure to support Secretary Stimson's efforts in 1932, moreover, it was careful to confine its collaboration to matters of common interest, and ex-

58. *New York Times*, September 4, 1937.

59. Department of State, *Press Releases*, October 2, 1937, p. 267; *ibid.*, November 6, 1937, p. 351.

60. *Ibid.*, September 25, 1937, pp. 255-56.

61. *Ibid.*, October 2, 1937, p. 268.

62. Cf. *New York Herald Tribune*, October 1, 1937. News reports did not state the precise content of the two notes.

pressed preference for "parallel" as opposed to "joint" action. The Japanese government tried persistently to prevent close Anglo-American cooperation, especially by showing far greater consideration for American than for British interests.

On September 12 China appealed to the League of Nations under Articles 10, 11 and 17 of the Covenant. The Council referred the appeal to the Far Eastern Advisory Committee, which had been constituted early in 1933 to follow the Far Eastern situation. The United States government, which had been represented on the Committee from the beginning, designated its Minister to Switzerland to sit in as an observer. The government stressed the fact that, in so doing, it was merely cooperating with the League in an effort to coordinate League action with that of non-members. While it was ready to give careful consideration to concrete proposals, it refused to take positions on hypothetical questions.⁶³

After the Assembly had condemned Japanese bombings of open towns in China, and the United States had concurred, a sub-committee submitted two reports⁶⁴ to the Advisory Committee on October 5. The first of these reached the conclusion that Japan's action violated the Nine-Power Treaty and the Pact of Paris. The second proposed, among other things, consultations by League members which were also parties to the Nine-Power Treaty.

At this point, President Roosevelt delivered a powerful address at Chicago which contained the strongest threat of coercive action against Japan that the United States had made since the outbreak of the conflict. Denouncing by open implication Japan's invasion of China and its use of aerial bombardment, as well as foreign intervention in Spain and sinkings by "pirate" submarines in the Mediterranean, he warned the American people that such practices, if continued, would end in a holocaust from which the American continent would not be spared. "The peace-loving nations," he declared, "must make a concerted effort in opposition to those violations of treaties and those ignorings of humane instincts which today are creating . . . international anarchy and instability" and suggested a "quarantine" of aggression.⁶⁵

At Geneva, the President's speech produced immediate effects. In the Advisory Committee the British representatives changed from opposition to support of strong recommendations.⁶⁶ Vague hopes

arose that the conference of signatories of the Nine-Power Treaty proposed by one of the resolutions might be able to devise means of bringing peace. On October 6 the resolutions passed the Assembly. Secretary Hull then issued a statement that the United States concurred in these conclusions. Re-counting the American efforts to find some means of stopping the conflict, and referring once more to the July 16 and August 23 statements, the declaration stated that "the Government of the United States has been forced to the conclusion that the action of Japan in China is inconsistent with the principles which should govern the relationships between nations and is contrary to the provisions of the Nine-Power Treaty of February 6, 1922, regarding principles and policies to be followed in matters concerning China, and to those of the Kellogg-Briand Pact of August 27, 1928."⁶⁷

In the United States, the President's sharp warning came as a surprise to the public, which had apparently not expected the government to take any strong action in the conflict. Although the speech did not lay down a definite program of action, its timing with the League discussions indicated an immediate intention to stimulate collective efforts. The sharp tone and the "quarantine" suggestion created some alarm and a general attitude of watchful waiting.⁶⁸ On October 16 the United States received an invitation from the Belgian government to the Brussels Conference.⁶⁹ In his "fireside chat" of October 12, the President made clear that the purpose of the conference would be mediation rather than coercion.

When the American delegate, Mr. Norman H. Davis, and his technical experts embarked for the Brussels Conference, the prospect that the conference could stop the war seemed highly doubtful. The Japanese army was practically in control of the five Northern Provinces and, being fully confident of its superiority, could hardly be expected to stop fighting without substantial gains. Every indication was given that the Chinese government could not agree to such conditions. Barring unexpected changes in the military situation in China, therefore, it appeared that a show of considerable unity and determination by the other interested powers would be necessary to secure better terms for China than those laid down by Tokyo. The British and French governments had clearly indicated that their problems in Europe made them

63. Department of State, *Press Releases*, September 25, 1937, p. 254.

64. A.78.1937.VII and A.80.1937.VII.

65. Department of State, *Press Releases*, October 9, 1937, pp. 275 ff.

66. *New York Times*, October 8, 1937.

67. Department of State, *Press Releases*, October 9, 1937, pp. 284-85.

68. Cf. *Philadelphia Inquirer* poll of members of Congress, which showed a strong majority against sanctions. Few leading members of Congress answered.

69. Department of State, *Press Releases*, October 16, 1937, p. 309.

unwilling to use measures of coercion against Japan unless the United States would also play a leading part and would, in fact, take the initiative. This was over-emphasized by Mr. Eden's speech of November 1 just before he left for Brussels which, according to mistaken press reports, at first seemed to place responsibility for the conference on the United States alone.

The unreadiness of the American public for coercive steps and the unwillingness of the government to reward Japan's aggression brought the American delegate to an impasse even before the conference began. Statements made on Mr. Davis' departure merely emphasized the intention to mediate and the lack of commitments.⁷⁰ When the conference met on November 3, Mr. Davis could only exert "moral" pressure on Japan and urge other governments, above all Britain, to show a readiness for action which would encourage support for similar steps by the United States.

Failing either to agree on coercive measures or to secure Japan's participation, the conference⁷¹ looked aside when the German government attempted to mediate. In a final declaration, it outlined its efforts and re-affirmed the principles of the Nine-Power Treaty as well as the interest of nations other than Japan and China in stopping the conflict.⁷² On November 24 the conference recessed, with the express intention of re-convening whenever a possibility for effective action should appear.⁷³ The Chicago speech had probably crystallized sentiment against the Japanese invasion,⁷⁴ thereby increasing public support for a stronger American attitude. It did not, however, lead to any actual measures against Japan beyond mediation efforts. The cautious attitude of the United States toward Japanese moves to control the Chinese maritime customs revealed in the note of November 29 indicated that the defense of American interests in China had not become much, if any, stronger.⁷⁵

THE PANAY INCIDENT

Japanese airplanes, pursuing the Chinese up the Yangtze from Nanking on December 12, sank

the American gunboat *Panay*, carrying members of the staff of the American Embassy and refugees, and three American tankers which it was escorting. In addition to the attack on the *Panay*, which lasted about an hour, small boats carrying survivors to shore were machine-gunned. Three persons were killed and a much larger number were wounded.

This heedless attack brought the first serious crisis between the United States and Japan during the Far Eastern conflict. Even before the American authorities could make preliminary inquiries, Prime Minister Hirota expressed apologies to Ambassador Grew; during the following day these expressions were multiplied by Japanese diplomatic, military and naval officials, all of whom called the affair a "blunder." But as reports from the press and American officials came in, it became clear that the attack could hardly have been an accident. The Japanese navy, in accepting full responsibility for the bombing, had officially explained that the navy fliers had thought the American boats were Chinese. All other reports of eyewitnesses, however, agreed that visibility had been so clear that the aviators could hardly have failed to see the large American flags displayed on deck.⁷⁶ Japanese authorities had been informed of the *Panay's* movements in advance, and an army officer had boarded the ship on its way up the river.

On the day after the sinking President Roosevelt handed Secretary Hull a memorandum, which was immediately published, instructing him to tell Ambassador Saito that the President was "deeply shocked and concerned" and requested that the Emperor be so informed; that the facts were being assembled and would be presented to the Japanese government; and that, in the meantime, it was hoped the Japanese government would consider for submission to the United States measures guaranteeing against similar attacks in the future.⁷⁷ The request that the Emperor be informed was a pointed demand that the fighting forces, subject only to the Emperor, be held in restraint. Secretary Hull sent a stern note of protest the next day. This note declared that the American vessels were there "by uncontested and incontestible right" and were avoiding the fighting; that previous instances had occurred where acts of Japanese forces had seriously violated American rights and endangered American lives and that the Japanese government had promised precautions against their

70. *Ibid.*, October 23, 1937, p. 313.

71. For statement by Mr. Davis, cf. *ibid.*, November 13, 1937, p. 376.

72. *Ibid.*, November 27, 1937, pp. 399 ff.

73. *Ibid.*

74. Indices of the growing feeling were the boycott movement against Japanese goods and the shift in the results of the polls of the American Institute of Public Opinion, announced on September 11 and October 23, 1937. In the first poll, 55 per cent favored neither Japan nor China, and 43 per cent favored China; in the latter, 40 per cent favored neither, and 59 per cent favored China. Cf. *Washington Post*, September 12 and October 24, 1937.

75. Cf. *Christian Science Monitor*, November 30, 1937.

76. For report of Lieut. Commander Hughes and the findings of the Navy Court of Inquiry, cf. Department of State, *Press Releases*, December 25, 1937, pp. 501, 506; *New York Times*, December 15, 1937.

77. Department of State, *Press Releases*, December 18, 1937, p. 447.

recurrence;⁷⁸ and that in this instance the Japanese forces had completely disregarded American rights, taken American lives and destroyed American public and private property. It demanded formal expression of regret, complete indemnification and an assurance that specific steps had been taken which would insure that American interests and property would not in future be attacked or unlawfully interfered with.⁷⁹

A Japanese note of the same day, answering preliminary inquiries, asserted that the attack was a mistake due to poor visibility. Formal apologies, however, promised indemnities for all losses and appropriate punishment for those responsible, and stated that strict orders had been issued to prevent the recurrence of such incidents. The note closed by expressing fervent hope "that friendly relations with the United States would not be affected by the affair."⁸⁰ Rear Admiral Mitsunami, chief of Japanese aerial operations, was then relieved of his post and recalled.

Reports of American official and unofficial eyewitnesses agreed that Japanese soldiers in army launches had fired upon and boarded the *Panay* just before it sank.⁸¹ On the basis of these reports, further representations were made at Tokyo by Ambassador Grew, pending the report of the Navy Court of Inquiry at Shanghai. Colonel Kingoro Hashimoto, an influential leader in the group of younger army extremists who had carried through the military coup at Tokyo on February 26, 1936 and the senior Japanese officer in the Wuhu area, had informed British authorities on the day of the attack that he had orders to fire on every craft on the Yangtze.⁸² He would not, however, name any higher officer to whom British authorities could protest the shelling of their ships. The *Panay* incident, it was said, had precipitated a contest for control between this younger group and the more conservative army leadership.⁸³ The army issued a report officially denying any part in the attacks and was believed to be opposing further assurances to the United States.

In the United States the incident aroused public sentiment against Japan to an extent which made coercive measures seem more nearly possible than at any previous time. The movement for boycotting Japanese goods began to show considerable

strength, as stores in various cities announced their intention not to buy Japanese goods. Strong rumors of joint naval demonstrations with the British fleet were circulated in Washington.⁸⁴ On December 24 the Japanese Foreign Minister handed Ambassador Grew another note which, while maintaining the original thesis that the attack was unintentional, gave assurances for the future. It cited naval orders to exercise caution in areas where vessels of third powers are present, "even at the sacrifice of a strategic advantage"; military, naval, and Foreign Office orders to pay stricter attention than hitherto to foreign rights and interests; and steps already taken to ascertain the location of American nationals and interests. Above all, the naval chief of aerial operations had been removed and recalled, and all others responsible had been "dealt with according to law."⁸⁵ On Christmas day Secretary Hull answered, accepting these assurances as "responsive" to the American demands, although he rejected the Japanese version of the attack.⁸⁶ As the demands for apologies and full indemnities had already been met, the incident was considered closed.

Apprehensions raised by the *Panay* incident continued even after it had been officially settled. The Japanese army, which had done much to provoke the war,⁸⁷ had revealed a dangerous attitude toward American interests, and civil authorities had failed to make it admit its part in the attack. In view also of the lax army discipline, the renewed campaign to subjugate the Chinese Central Government seemed, despite Japanese assurances, to involve the danger of future incidents of a similar nature.

Although the *Panay* incident apparently increased public sentiment for withdrawal of American armed forces from China,⁸⁸ the United States seemed disposed to hold Japan to strict accountability for any such events in the future. The President promptly announced his intention to seek increases in the American fighting forces. During the next few days, he instructed High Commissioner McNutt to report on Japanese activities in the Philippines, and stated that American economic ties with the Philippines might be maintained until 1960. A gesture toward Anglo-American naval cooperation in the Far East was made in the announcement that American war-

78. For the Japanese note expressing regrets for machine-gunning of an American party in Shanghai on October 24, cf. *ibid.*, October 30, 1937, p. 341.

79. *Ibid.*, December 18, 1937, pp. 448-49.

80. *Ibid.*, p. 450.

81. *Ibid.*, December 25, 1937, pp. 502, 506; *New York Times*, December 15, 1937.

82. *The Times* (London), December 13, 1937.

83. *New York Times*, December 20, 1937.

84. *Ibid.*

85. Department of State, *Press Releases*, December 25, 1937, pp. 497, 498.

86. *Ibid.*, p. 498.

87. Cf. forthcoming *Foreign Policy Report* by T. A. Bisson on the origins of the Sino-Japanese war, to be published March 1, 1938.

88. Cf. p. 279, footnote 9.

ships would be the only foreign visitors at the opening of the Singapore naval base in February. On January 8 Secretary Hull wrote in a letter to Vice President Garner that "the interest and concern of the United States" in situations abroad "are not measured by the number of American citizens residing in a particular country at a particular moment nor by the amount of investment of American citizens there nor by the volume of trade. There is a broader and much more fundamental interest... that orderly processes in international relationships be maintained." The government would, "as it always has done," give American citizens and property abroad protection "in accord with the realities of the situation," irrespective of the number of Americans and size of interests concerned.⁸⁹

The incident served also to resolve—temporarily at least—a conflict over the control of American foreign relations. Enough support for the Ludlow resolution,^{89a} proposing a constitutional amendment, was obtained in December to force the measure out of committee to the floor of the House. President Roosevelt and Secretary Hull then led an attack on the proposal, in which they were supported by Mr. Landon as well as by many influential newspapers. This attack was intended to convince Japan that the American people supported the government's policy, as well as to maintain unimpaired the power of Congress to declare war. On January 10, after renewed pressure from the President, the House voted—209 to 188—to return the measure to Committee.

During the *Panay* crisis, President Roosevelt and Secretary Hull constantly stressed their need for support in Congress in order to strengthen their action. The small amount of debate in Congress during that period, as indeed throughout the whole conflict, probably registers in part a reluctance to disturb the executive in his conduct of negotiations. As in previous emergencies, this has tended greatly to strengthen the President's control of foreign relations.

CONCLUSION

On the whole, the American government, by its "middle-of-the-road" course, seems to have con-

tinued the policy which it has generally followed in the Far East since 1931. Secretary Hull's statement of October 6 denouncing Japan's treaty violation went further than any utterances of Secretary Stimson. The Department has insisted on observance of its rights, but has refused to risk the use of force. This stand has not halted Japan's course in China. The success of any coercive measures—economic sanctions,⁹⁰ naval demonstrations, or "long distance" blockade—would probably require readiness for a showdown in the Western Pacific, which the American public appears unwilling to face.

Plans for coercion meet with strong resistance in the two chief countries involved—Britain and the United States. Britain, its position endangered in the North Sea and the Mediterranean, would oppose such steps unless this country bore the brunt of any necessary action in the Far East or, conversely, supported the British in Europe. The American people, which has relatively restricted economic and cultural connections with the Far East and little fear of attack from that quarter, seems so far unwilling to risk war with Japan or involvement in Europe to protect China against aggression. Meanwhile, the possibility of another *Panay* incident or an attack against the Philippines continues to exist. In the absence of collective machinery the United States would have to meet such attacks alone.

Despite this country's reluctance to use force, the "middle-of-the-road" course has led distinctly away from isolationism. The traditional policy of protecting American interests abroad has been strongly re-asserted. The President's wide discretion to apply or withhold application of the Neutrality Act has been demonstrated. Confronted by the growing danger of a world war, the American government has, as a corollary to its trade agreements program aiming at "peaceful change," aligned itself more actively with Britain, France and other powers which oppose change of the *status quo* by force. It has shown support for international cooperation generally and has sought to discourage prospective aggressors by the threat of cooperation with powers which oppose them. Whether this policy, if continued, will reduce the threat of a general war or merely hasten American entrance into such a war, are questions on which contemporary opinion remains sharply divided.

90. Cf. deWilde, "Can Japan Be Quarantined?" cited.

89. Department of State, *Press Releases*, January 15, 1938, pp. 100 ff.

89a. This resolution provided that, except in case of attack by armed forces on the United States or by any non-American nation against any country in the Western Hemisphere, "the people shall have the sole power by national referendum to declare war or engage in warfare overseas."